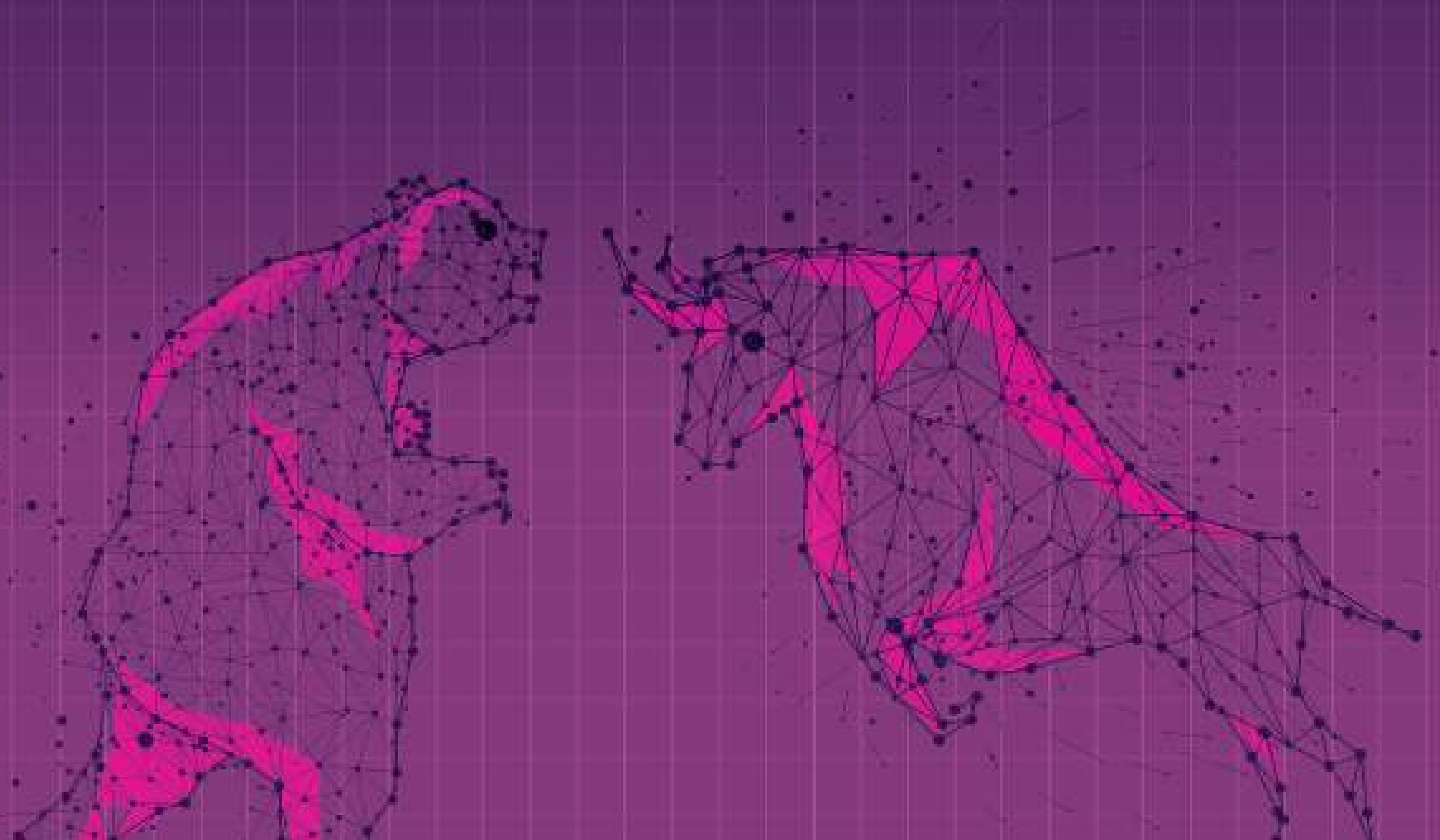
ANANDRATHI
PRIVATE CLIENT GROUP
EQUITY
PCG

FINANCIAL

FLASH

May 2022



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PCG Communique

From the Desk of the PCG Head

Rajesh Kumar Jain

Tough Times Ahead!!!

We are set for interest rate hike regime going forward and across central banks will be increasing the rates going forward. Equity mkt are very agile to rate hikes. FIIs has been continuous seller for the whole month of April to a tune of 40,652CR and DII has been buyer to the tune of 29,869CR. Retail are supporting the mkt continuously & putting the money through SIP where the monthly SIP has reached >12,000CR.

Mkt has been on a moving in a very narrow range with the highest degree of volatility where the option writers are getting hit at both the ends. Except for Banking & IT most of the companies are not able to meet earning guidance's. We believe companies on the consumer side will face operating margin pressures due to rise in commodity prices and companies which has debt will face the hit of interest rate upward upcyle going forward. So in all a tricky situation where you have volatility, interest rate upward cycle, cost inflation, crude @ 100, supply constraint and pressure on operating margins across industry barring a few. At the same time we firmly believe that the 1st qtr results of most of the company will see margin contraction because of the rise in input prices. But the complete replica of the rise in commodity prices will be seen the margin contraction of most of the companies in the 1st qtr result in July 2022. Although the GST collection are at the highest @ 1.67 lakh CR Vs 1.39CR in the same month of the previous year but some part of it is attributed to the rise in cost of purchase & sales due to higher prices of commodity cost and not completely because of higher manufacturing or demand.

With the rise in interest rates we will be leaving lesser money in the hands of the end consumer and higher EMI on home & car loan which contribute the max part of outflow from the end consumer. Hence consumer will tend to lower down the discretionary spending going forward.

Coming to Index we believe that the range will not breach 16500 on the downside and 18500-19000 on the upside. Going forward where we will see that there will more of time bound price correction, where the index prices will keep swinging and remain at a range which is the numerator but simultaneously the EPS will keep inching up slowing which is the denominator, making the PE contracting down from 21 at present to 19 in due course which is the mean avg for the last 10 years.

On the other side understanding these constraints most of the stock have got corrected anywhere between 10%-25% in large caps and 20%-30% in mid caps. We are advising clients to with large caps where there is already a correction of 10%-25% in the stock prices and hold it for a long term. We still remain bullish in Defence, Banking, IT & Renewable as these are the sector which will be aloof from the current situation.

In case of Banking we remain bullish as the NPA cycle is at the back of us. Delinquencies are coming down and NPA reporting are lower for most of the bank. Most of the companies has cleared their debt and with the demand forthcoming, companies will look for capacity expansion in Metal, cements, renewables, paints & select manufacturing which will be the ultimate beneficiary of China + 1 strategy etc. Bank has funds to lend without much of worry about the NPA rising up because of the Banking laws.

Sector benefitting from the PLI scheme is one of the area to be looked at. Govt has announced almost 2 lakhs CR (approx.) of PLI and if the companies has to avail this then approx. 40 lakh CR(approx.) of turnover has to be done to avail this 5% of PLI incentives. And if these companies work on an EBITA margin of 15% then we are talking about 6 lakhs CR of EBITA profits, so investor has to look things from the lens of the long term although the short term looks very cloudy & gloomy.

Defence is one of the area which looks promising understanding the govt thrust on ATMANIBAR BHARAT & MAKE IN INDIA where the govt has taken list of 108 & 101 items which has been classified to be made in India. The current Russia – Ukraine crisis makes the govt. stand very clear that the defence items has to be manufactured in India to remain aloof from such world crisis where there are sanctions and payment difficulties as SWIFT is closed for making payments to Russia and defence items has got stuck. So most of the company like BEL, L&T, HAL will be the beneficiary of this.

IT remain the focus area for most of the investor as the margin are still maintained and wages hike are getting re-billed with the companies. Companies are moving more towards AI, ROBOTIC from the typical maintenance job and back end software jobs.

Happy Investing!!!

Market Commentary

The Nifty index ended the April month at 17,102 with a negative return of 3.2%. However, Sensex ended the April month at 57,060 with a negative return of 3.7%.

Indian markets made a very optimistic start to the week led by intense buying in banking and financial stocks after the announcement of a merger between HDFC and HDFC Bank. Traders also got some encouragement from the Commerce and Industry Ministry in its latest data has indicated that India's merchandise exports spurt to a record high of $418 billion in the 2021-22 fiscal on higher shipments of petroleum products, and engineering goods, gem and jewelry, and chemicals. However, sentiments turned pessimistic, and markets witnessed profit booking from thereon after weak macroeconomic data.

Bears took control over Dalal Street during the last week of April with frontline gauges settling below their crucial levels of 57,200 (Sensex) and 17,200 (Nifty) as major companies disappointed the street with their Q4 numbers. Markets made a gap-down opening to the week as the World Bank cut its economic growth forecast for India and the whole South Asian region, citing worsening supply bottlenecks and rising inflation risks caused by the Ukraine crisis. The international lender lowered its growth estimate for India to 8% from 8.7% for the current fiscal year to March 2023. Sentiments remained dampened as India’s March wholesale price index-based inflation rose to 14.55 percent as compared to 13.11 percent last month. According to the data released by the industry department, the high rate of inflation in March 2022 was primarily due to a rise in prices of crude petroleum and natural gas, mineral oils, and basic metals, owing to disruption in the global supply chain caused by Russia-Ukraine conflict.

Bulls strengthened their grip on Dalal Street with frontline gauges garnering weekly gains of around four percentage points, tracking strong global cues linked to a US Fed rate hike and pullback in oil prices. . Markets started the holiday truncated week on optimistic note-taking support from Fitch Ratings’ report. On the very next day, markets witnessed a selloff with traders turning cautious after a report that India's retail inflation in February rate rose to an eight-month high of 6.07 percent from 6.01 percent in the previous month, remaining above the upper limit of the central bank’s comfort level of 6 percent for the second consecutive month. However, the rally in the last two days of the week helped markets to go home with plenty of gains as traders took encouragement from the Ministry of Finance’s statement that the Indian economy is well prepared to handle any capital outflows caused by external shocks.

Near the end of the month, Indian equity markets ended in red terrain as traders remained on the sideline amid aggressive US Fed tightening and China covid fears. Markets made a pessimistic start to the week as a private report cut India's 2022-23 economic growth forecast by 70 basis points to 7 percent, citing slowing global growth due to high commodity prices, and weak local demand because of energy price hikes, inflationary pressures, and a struggling labor market. Some cautiousness also came as the Centre for Monitoring of Indian Economy stated that India’s labor force fell by 38 lakhs in March to the lowest level in the last eight months, comprising a decline in the count of both employed and unemployed. Sentiments also remained downbeat with a private report stating that the pandemic seems to have dented the prospects of beneficiaries hoping to enroll in minority schemes. While the fund utilization under minority schemes had reached its peak in 2019-20, with the government spending Rs 6,575 crore, it has since declined.

In terms of economic performance, the IHS Markit India Manufacturing Purchasing Managers’ Index (PMI) was at 54.7 in April, up from 54 in March, Business conditions continue to improve with the headline figure remaining above its long-run average of 53.6. April data showed a rebound in new export orders, following the first contraction for nine months in March. The rate of increase was solid and the strongest since last July.

The IHS Markit India Services PMI came in higher to 57.9 in April up from 53.6 in March, highlighting a sharp rate of expansion that was the fastest since last November. Anecdotal evidence indicated that output was boosted by higher bookings, the easing of pandemic-related restrictions, and favorable demand conditions. The combined Index of Eight Core Industries stood at 157.3 in March 2022 which increased by 4.3% (provisional) as compared to the Index of March 2021. Except for coal and crude oil, the remaining core industries witnessed an upside in March 2022.

India's retail inflation, measured by CPI rose to a 17-month high at 6.95% in April as compared to 6.07% in the previous month. India's monthly exports grew by 24.2% year over year to $38.2 billion in April 2022 vs $30.8 billion in April 2021. At the same time imports increased by 26.6% year over year to $58.3 billion in April 2022 vs $46.04 billion in April 2021. The Goods and Services Tax (GST) collection in April 2022 touched another all-time high of ₹1.68 lakh crore up 20% YoY and 18.3% QoQ.

Also, India's foreign exchange reserves dipped by $3.27 billion to $600.42 billion during the week ended April 22. Foreign currency assets (FCAs), a key component of the overall reserves fell by $2.84 billion to $533.93 billion. Additionally, Foreign Portfolio Investors (FPIs) were net sellers of Rs. 22,688 crores in March, driven by net outflows in equity of Rs. 17,144 crore.

The U.S. markets ended the April month marginally higher on upbeat earnings news. Microsoft posted a better-than-expected quarterly report and issued optimistic forward revenue guidance. Chipmaker Qualcomm (QCOM) also reported quarterly results that beat expectations on both the top and bottom lines. Some support also came in as first-time claims for U.S. unemployment benefits edged slightly lower in the week ended April 23rd, the Labor Department revealed in a report. The report showed initial jobless claims dipped to 180,000, a decrease of 5,000 from the previous week's revised level of 185,000. The street had expected jobless claims to slip to 180,000 from the 184,000 originally reported for the previous week. However, the upside remained capped amid concerns about slowing global growth, rising inflation, and the Federal Reserve's monetary tightening.

European markets ended the month in green terrain. Markets made a negative start of the week, as Euro area consumer confidence unexpectedly improved in April, after falling sharply in the previous month, yet remained in the negative territory indicating pessimism. The preliminary figures from the European Commission showed that the flash consumer confidence index rose to -16.9 from -18.7 in March, which was the weakest since May 2020 shortly after the coronavirus pandemic began. Economists had forecast a score of -20. Besides, UK consumer confidence dropped to a near-historic low in April as rising inflation and interest rates dampened household finances. The survey results from the market research group GfK showed that the consumer sentiment index declined to -38 in April from -31 in March. All five measures were down in comparison to the March 25th announcement.

Meanwhile, HIS Markit signaled a sharp improvement in operating conditions across the US manufacturing sector. The S&P Global US Manufacturing PMI increased to 59.2 in April of 2022 from 58.8 in March. The rate of overall factory growth accelerated for the third month and was the strongest since September, driven by a quicker expansion in output, a softer deterioration in vendor performance, and a series-record rise in pre-production inventories.

Eurozone manufacturers lost further growth momentum at the start of the second quarter as output increased only marginally and at the weakest rate over the current 22- month sequence of growth. The S&P Global Eurozone Manufacturing PMI fell to a 15-month low of 55.5 in April, from 56.5 in March, While it is still above the 50.0 no-change mark and therefore indicative of improving operating conditions within the goods-producing sector, it marked a sustained loss of growth momentum as the headline PMI fell for the third month running. The slower expansion was accompanied by a subdued increase in new orders and sustained supply-side pressures as COVID restrictions in China and the ongoing war in Ukraine caused disruptions. The final au Jibun Bank Manufacturing PMI rose marginally higher from 53.4 in March to 55.5 in April. amid declining COVID-19 cases and a lift in pandemic restrictions. Still, this was the 15th straight month of expansion in factory activity, as output grew for the sixth time in seven months, with the rate of growth little-changed from March and new order growth continued for the seventh month running, albeit at a softer rate.

Regarding China, The National Bureau of Statistics reported that the official manufacturing PMI for April fell further to 47.4 from 49.5 in March. The country's non-manufacturing PMI, which gauges sentiment in the services and construction sectors, declined further to 41.9 in April 2022 from a March reading of 48.4.

Going Ahead

In April'22, the global economic and financial market performances deteriorated. Major concerns include high inflationary pressures, aggressive policy rate increases by central banks to control inflation, China's zero-covid policy linked to lockdown, and lack of visibility on the end of Russia Ukraine conflicts. Given these, most agencies have reduced their growth targets and increased inflation targets. These factors have negatively impacted investors' sentiments. There have been spikes in bond yield with the US 10-year bond yield coming close to 3%. One-year equity returns in many countries have turned negative. There are apprehensions that with the deterioration of macroeconomic and corporate fundamentals, the outflow of liquidity from equity markets, and concerns about the sustainability of the current levels of company valuations, the global equity markets can undergo declines shortly.

Like other economies and markets, India too is facing many challenges. Yet, the nature and extent of such problems are considerably less in India. For example, despite downward revisions by many agencies in the recent past, most expect India to grow well more than 7% during the current financial year. This is much higher than the expectations of any other major economy. Similarly, despite large input cost pressures and margin compressions, corporate profit margins in India continue to remain higher than the pre-pandemic levels and corporate sales reached successive record highs in recent quarters.

The domestic markets turned somber during the end of the month with both Sensex and Nifty ended below the psychologically crucial 57,100 and 17,150 respectively triggered by aggressive US Fed tightening and China covid fears.

The war between Russia and Ukraine continues with no definite indication of an end. Supply chain disruption due to the war and embargo imposed by many countries against Russia have pushed global commodity prices at skyrocketed levels. This has created concern for the already alarming global inflationary situation, especially in the US and Europe

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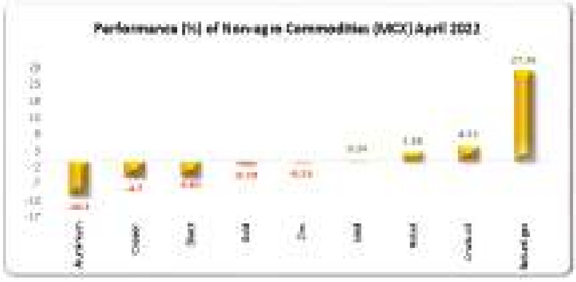
Similarly, like in most of the countries of the world, retail inflation in India also has gone up considerably. Yet, the current level of inflation in India is about 2 percentage points higher than the long-period average while in the US or euro area, the divergence is to the extent of 5 to 6%. We believe that the extent of policy tightening needed in India is much lower than that in the US or euro area. Any further deterioration of the global economic or geopolitical situations can result in a noticeable correction in the equity markets. Risk aversion by global investors has resulted in considerable capital outflow from emerging market economies. India too has experienced an outflow of foreign portfolio investment in the last seven-eight months. Consequently, the Indian market is likely to move in the same direction as the global market in the short term. Given this, we cannot rule out the possibility of a correction in the Indian equity market. We, however, do not expect the correction to be very substantial.

As markets continue to tread in volatility, we advise investors to remain invested in healthy growth and value-oriented companies with quality management to create long-term sustainable wealth.

Commodities Outlook

Metals declined on China virus concerns however, the Energy complex rallied on prospects of an EU ban on Russian oil



(Source: Bloomberg)

Spot gold dropped by 2.13% to $1,895.65 an ounce in April as investors braced for a key Federal Reserve meeting (4th May) where it is widely expected to raise interest rates by a hefty 50 basis points. Fed policymakers look set to deliver a series of aggressive rate hikes at least until the summer to deal with rapid inflation and surging labor costs, even as a couple of reports showed tentative signs both may be peaking. The dollar traded near a 19-year high (103) while the benchmark 10-year US yield hovered near its highest in over three years (3%), pressuring demand for gold. Although gold is seen as a safe store of value during times of economic and political crises, higher interest rates increase the opportunity cost of holding the non-yielding bullion.

MCX Gold June future finished the month with nearly 0.79% losses at Rs. 51,754 per 10 gram. MCX Silver May future closed with a fall of more than 4.5% at Rs. 64,349 per kg. Holding the world's largest gold ETF, SPDR Gold Trust hardly moved to 1,092 tonnes as of 30th April 2022 from 1,091 tonnes as of 31st March 2022.

Spot silver fell more than 8% to around $22.7 an ounce in April, close to its lowest in 12 weeks, as impending interest rate hikes from the Fed to bring down 40-year high inflation weighed on the metal. Investors remained concerned about soaring inflation and supply chain issues exacerbated by the Ukraine war, as well as a Covid outbreak in China that clouded the outlook further for global economic growth.

The short-term outlook is bearish in the bullion commodities. Gold may extend its downward momentum into May and may test the $1,800 - $1,820 an ounce region for the first time since early February, as investors have been recalibrating the higher possibility of an aggressive pace of Fed tightening. Fed policymakers look poised to deliver a series of interest rate hikes this year to tame inflation, likely starting with a 50bps, the sharpest rate hike since 2000, and bringing rates up to around 3% by the end of the year. Such an outlook fuelled bets on the dollar and brought longer-term yields to levels not seen since 2018, which, in turn, spooked investors away from the non-yielding metal. MCX Gold June may decline to Rs. 49,000 per 10 gram in May, but around those levels, we may see a strong buying momentum. MCX Silver July is expected to rebound to Rs. 67,000 per kg owing to a short covering.

Base metals dropped on the resurgence of Covid-19 in China & IMF report

In April the industrial metals declined as China reported a contraction in manufacturing PMI in March & April, two back to back months. For April the factory activity gauge dropped to 47.4 against 49.5 a month ago. The Chinese government pledged to provide support to the economy which is badly hit by the slowdown amid resurgence of Covid-19 and the IMF forecasting weaker growth numbers for 2022 and 2023. People's Bank of China cut RRR by 25 basis points which left banks with nearly $113 billion to circulate in the system but market shrugged off this aid. Lastly, the US dollar advance by 4.95% in April which weighed on metal prices.

LME Aluminium futures breached below the $3,000-per-tonne mark in April, declining by more than 10%, a level not seen since early January, as coronavirus-induced restrictions in top consumer China and the prospect of aggressive tightening from major central banks sparked concerns about weaker global growth hitting metals demand. Recent data from China exacerbate such a gloomy outlook, with the world's second-largest economy reporting that factory activity contracted for a second straight month to its lowest level since February 2020. On top of that, soaring aluminium prices and disrupted exports from Russia helped Chinese smelters scale production to record levels. Once activity picked up, excess inventory would hit the global markets and pose a significant downside to prices.

LME Copper futures dropped to close to 8-week lows, China's Covid-19 outbreak hit economic activity and triggered government pledges for more stimulus to support the world's second-largest economy. On the supply side, a group of indigenous communities in Peru stopped a protest against Southern Copper Corp's Cuajone copper mine that had forced a suspension of production for 52 days. Meanwhile, a Chilean environmental regulator recommended that global miner Anglo American's Los Bronces copper project not be granted an extension permit involving a planned $3.3 billion investment. The outlook is bearish in base metals as the dollar may continue to advance as the Fed may begin quantitative tightening program. The reappearance of Covid-19 in China has forced lockdowns in Shanghai and Beijing. In the near future this may put pressure on the metals. Lastly, geo-political developments between Russia and Ukraine may keep metal prices subdued. MCX Copper May future may fall to Rs. 735 per kg.

Crude oil: Prospects of EU ban trumped demand concerns

Crude oil gained for the fifth consecutive month, with WTI crude futures surging almost 4.4 percent in April, as expectations of an EU ban on Russian oil trumped demand concerns from top consumer China. Sentiments turned positive after German representatives to the EU institutions reportedly lifted the country's objection to a full Russian oil embargo provided Berlin was given sufficient time to secure alternative supplies, as it struck a deal with Poland that will enable imports of oil from global exporters via the Baltic Sea port of Gdansk. Demand concerns from top consumers China capped gains in crude oil. Lockdown in Shanghai has been dragged to the fifth week and the capital city of Beijing is mass-testing residents, a move aimed at avoiding a lockdown like that imposed on Shanghai over the past month. Other moves include closing restaurants in the city and sealing off some apartment blocks. More than 1 million barrels of demand cut is expected from Chinese restrictions.

During the March meeting, OPEC and its allies stood back from the crisis engulfing oil markets, refusing to deviate from their schedule of gradual production increases as the US considered an unprecedented release from emergency crude stockpiles. The cartel ratified the 432,000 barrel-a-day supply increase scheduled for May at an online meeting. However, the OPEC cartel which has struggled for many months to revive oil supplies halted during the pandemic effectively failed to increase output at all last month, as members remained plagued by capacity constraints. OPEC countries added just 10,000 barrels a day in April, compared with a scheduled 274,000 a day.

US Natural gas futures skyrocketed by more than 27% in April and closed above $7 per mmBtu, as traders continued to assess maintenance-related outages and strong demand prospects. Above-average demand lingered in the eastern states amid remnants of chilly weather, while output continued to face volatility amid the ongoing maintenance season and the recovery from freeze-offs in the Rockies in late May. Elsewhere, the US continues to ship high volumes of LNG to Europe, which is expected to keep export facilities running at near full capacity due to the war in Ukraine and the risk of supply disruptions from Moscow to the region amid the euro payments spat. For the year, the contract is up roughly 80%, as harsh wintry weather extended well into spring, causing domestic inventories to shrink well below the five-year average.

Going forward, we expect crude prices to stay aloft and prices to rally towards Rs.8,350 per barrel in May. FOMC meeting coupled with demand concerns from major consumer China might cap the gains even though the EU is mulling a ban on Russian oil. Ambassadors will discuss at a meeting on 4th May, the sixth package of EU sanctions against Moscow being drafted by the Commission. Meanwhile, Germany has backed out from earlier objections to a Russian oil embargo. OPEC+ meeting on 5th May will also be in focus, though the coalition is likely to stick with its established plan, ratifying another modest addition of 430,000 barrels a day for June.

Agro Commodities took a breather in April, but cotton price rally remained intact

Agro Commodities Price Performance

	March Close	April Close	MOM Chg	YTD Chg
Guarseed	6331	6331	0.0%	3.7%
Guargum	12172	12404	2.6%	23.9%
Cocud	3175	2791	-12.1%	-0.5%
Cotton	42600	45710	7.3%	34.9%
ICE Cotton	132.07	145.63	10.3%	36.1%
Jeera	21530	21885	1.6%	33.1%
Turmeric	8774	8510	-3.0%	-13.3%
Coriander	11196	12180	8.8%	40.1%
Castor seed	7288	7330	0.6%	24.4%

Source: Bloomberg

The rally in Agro commodities took a temporary halt in Mid-April with prices of all the three spices including jeera, turmeric and coriander along with Guar, witnessing a fall. However, unprecedented gains in Cotton continued throughout April and prices made new record in the physical as well as on the MCX.

The Fibre crop that rallied 65% in 2021, continued to surge in 2022 as well with prices gaining 34% so far this year. The gains are partly due to lower production of Cotton in India to meet the increased consumption demand by the textile sector and partly in line with the international markets wherein ICE cotton is trading at 2011 highs amid drought in Texas.

The textile industry has been demanding the removal of duty on import of cotton for several month, for which the government finally agreed and removed around 11 per cent duty in mid-April. Immediately after the removal of duty, ICE cotton recorded a sharp rise on the prospects of India's higher import. In addition, the fear of drought in US's Texas state also contributed to lifting of ICE cotton prices. Taking cue from global prices, domestic cotton prices in India also surged. Thus, instead of softening, cotton prices increased immediately after duty cut. Now the Industry is demanding temporary ban on cotton exports from India. However, India being among the leading exporter of cotton, restricted supplies from the nation would again boost global cotton prices.

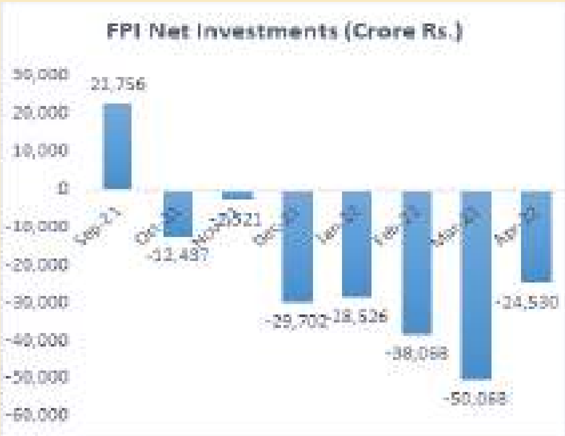
Going forward, weather and planting progress will be a key determining factor to drive cotton prices. US cotton acreage has started on a brisk note, but Texas weather remains a threat. In India, cotton acreage is likely to increase, but, the near term supply tightness cannot be ignored.

As far as Guar is concern, prices are down partly due to poor exports in the last two months and partly on normal monsoon forecast. However, the broader fundamental outlook is still supportive for the price rise due to two consecutive years of lower production. In the Spice complex, production of all the three spices have fallen significantly this season. But, the ongoing harvesting period along with poor export demand is exerting pressure on the prices. Going by the seasonality, Turmeric and coriander prices normally bottom out in the month of May and start rising gradually June onward. Thus, downside now seems to be limited in the Spice Complex.

The Southwest monsoon season is just one month ahead and agro markets will start responding to weather related news. Going forward, alongwith the demand supply fundamentals, one needs to thus keep a close watch on weather developments as well.

Currency Outlook

Indian Rupee has an IPO Life Jacket in the greenback tidal wave



Indian rupee spot witnessed the fourth consecutive monthly decline and depreciated by 64 paisea in April to close at 76.43 against the dollar index, owing to broad risk-off sentiments ahead of the FOMC meeting, widening trade deficit amid elevated crude prices, and continuous selling by FII's from Indian securities. However, Rupee stood out among peers as India is set to open up its biggest ever IPO on 4th May. The listing of LIC, the country's biggest insurer, is expected to draw in sizable inflows from foreign investors, helping to keep the rupee afloat amid a storm in emerging markets.

Domestically, the RBI took a slightly hawkish move in its April monetary policy meeting by restoring the corridor for its liquidity adjustment facility to the pre-pandemic level of 50 basis points, hinting at the withdrawal of its accommodative stance going ahead. The central bank is now expected to raise its key interest rate in June. Meanwhile, the yield on the Indian 10-year government bond was around 7.1% in early May, tracking a global rise in bond yields, and close to a 35-month high of 7.2% hit on 11th May, as investors continue to worry over inflationary pressures, prospects of slower growth and monetary policy tightening.

FII selling spree continued for the seventh month in a row and FPI net investments witnessed an outflow of more than 1.4 Trillion Rupees so far in 2022. RBI intervention also helped Rupee gain some ground, as the country's forex reserves dipped by $3.271 billion to $600.423 billion in the week ended 22nd April. RBI has been sharply selling dollars from the forex kitty in the past few weeks, to prevent a slide in the value of the rupee amid the Russia-Ukraine conflict.

On the economic data front, the Annual inflation rate in India increased to 6.95% in March of 2022, the highest since October of 2020 and above RBI's upper limit. India's trade deficit was revised lower to USD 18.51 billion in March 2022, compared to USD 13.64 billion a year earlier mostly due to an increase in purchases of petroleum, crude and products (82.97%), electronic goods (45.47%), and coal, coke, and briquettes (164.69%).

A gauge of the US dollar's strength surged to its strongest level in two decades, boosted by a hawkish Federal Reserve and concerns about steep slowdowns in economic growth in other parts of the world. The Fed has begun the tightening cycle to tame the surging inflation in the US, roaring past decade highs, leading to a rally in Treasury yields. The greenback is also gaining haven support as the spread of coronavirus in China as well as the repercussions of Russia's invasion of Ukraine threatens an economic slowdown.

The rupee has shown broad resilience among peers in April on the back of inflows ahead of LIC IPO and dollar sales from the forex kitty, even though the dollar index surged to a 19-year high. However, we believe fundamentals to take hold in May and Rupee might face some pressure from a stronger greenback, elevated crude prices, and continuous FII outflows. RBI's divergence from Fed might weigh down on Rupee amid rising domestic inflation, well above RBI's upper band. The long list of worries for emerging-market money managers threatens to expand further with positive real yields in the US worsening an outlook already clouded by slowing growth and the war in Ukraine. FOMC Meeting will be the major focus for the month and we expect Fed to hike rates by 50 basis points, along with balance sheet run-off.

Anand Rathi PMS

MNC Portfolio

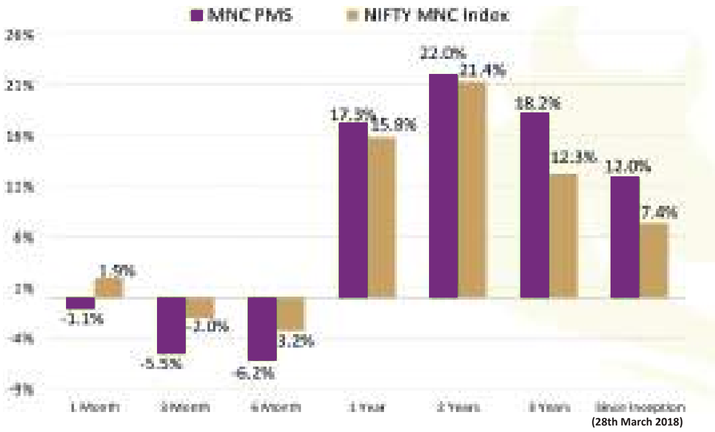
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how brought in by foreign partner/investor.

Strong Business model	MNC benefits from a) Innovation b) Strong R&D c) Advanced Technology d) Strong Brand/Product e) Economies of scale
Strong Corporate Governance	MNC's are generally rated high for their corporate governance standard. They depict high transparency and accountability with well laid out policies and regulatory framework, internal control and risk management
Healthy Balance Sheet	Most MNC's have a) Better operating ratios b) Zero Debt or Low debt /Equity c) Positive Free Cash flow d) Healthy Return ratio
Special opportunity	MNC companies sometime carries an additional trigger for value appreciation in form of corporate actions like open offers, Buybacks and Delisting etc. This usually add substantial appreciation to the share price enhancing investors ROI

Top Holdings and Allocation

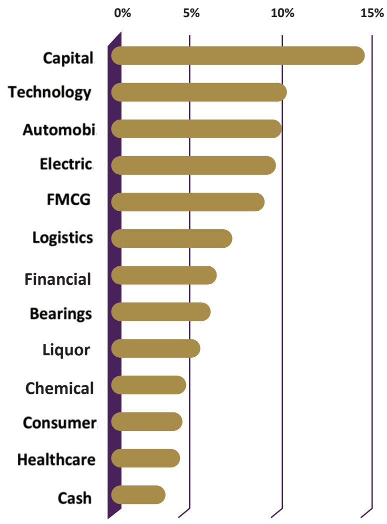
Sr. No.	Top 10 Holdings	% Holdings
1	KSB Ltd.	8.2%
2	Blue Dart Express Ltd	7.3%
3	Grindwell Norton Ltd.	7.0%
4	CRISIL Ltd.	6.1%
5	SKF India Ltd.	6.0%
6	Maruti Suzuki India Ltd.	5.9%
7	Siemens Ltd.	5.8%
8	Coforge Ltd.	5.4%
9	United Spirits Ltd.	5.3%
10	Hindustan Unilever Ltd.	4.9%

Performanceas on 30th April, 2022

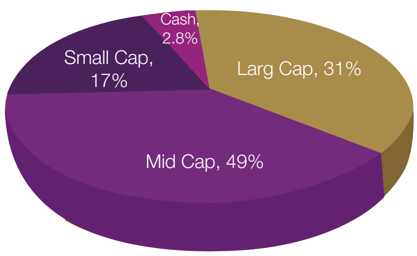


Source: *Anand Rathi Internal Research.*

Sector Allocation



Market Cap Allocation



Data as on 30th April 2022

Note: *Returns above one year are annualized. Returns are net of fees and expenses.*
Disclaimer: *Past Performance is not necessarily indicative of likely future performance. Performance mentioned above are not verified by SEBI. We have shown the performance as Aggregate performance of all clients on TWRR basis.*

Anand Rathi PMS
Impress

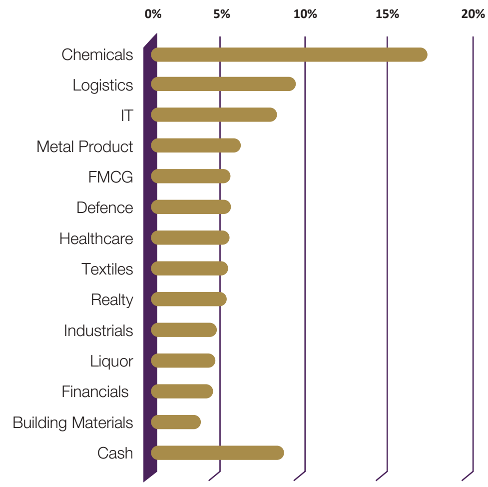
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

Business model	Improving Market Share, Leadership and Niche Market
Rising Enterprises	Stable and Improving Margin and Improving ROE and ROCE
Sustainability	Visibility of Earning Over Next 2-3 Years and Predictable Business Model
Sound Corporate Track Record	Management Background and Accounting & Corporate Policies

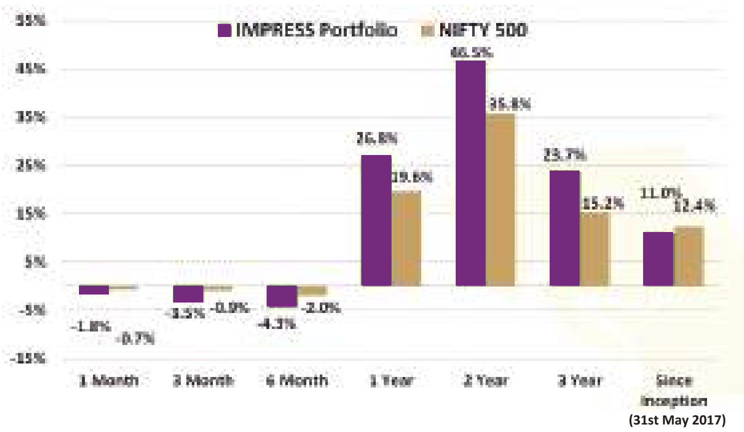
Top Holdings & Market Cap Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	Solar Industries India Ltd.	8.1%
2	Ratnamani Metals & Tubes Ltd.	6.6%
3	Tata Consumer Products Ltd.	6.5%
4	Bharat Electronics Ltd.	6.3%
5	Krishna Institute of Medical Sciences Ltd	6.2%
6	K.P.R. Mill Ltd.	6.1%
7	Oberoi Realty Ltd.	6.0%
8	Blue Dart Express Ltd.	5.4%
9	Aarti Industries Ltd.	5.2%
10	Carborundum Universal Ltd.	5.2%

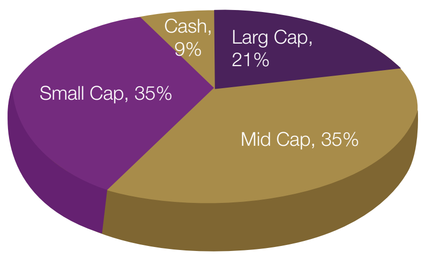
Sector Allocation



Performanceas on 30th April, 2022



Market Cap Allocation



Data as on 30th April 2022

Source: *Anand Rathi Internal Research.*

Note: *Returns above one year are annualized. Returns are net of fees and expenses.*

Disclaimer: *Past Performance is not necessarily indicative of likely future performance. Performance mentioned above are not verified by SEBI. We have shown the performance as Aggregate performance of all clients on TWRR basis.*

Anand Rathi PMS

Decennium Opportunity

Focus on return optimization by investing in multicap portfolio of companies with good corporate governance, strong emerging business or companies entering into next business upcycle.

Emerging business of ongoing Industrial Revolution

Opportunity - Accelerated Growth from Business Upcycle

- Indian economy has found its place among the key global players in many of the sectors.

  India increasing its share and becoming a part of the global supply chain and also a reliable partner.

- Government focus on building capabilities, scale and good manufacturing practices.

PLI, Export incentive and Atmanirbhar Bharat Initiative very well supportive to strengthen India's private players/ Enterpreneurs to scale up their business.

With overall economic growth both at macro and micro level and favorable policy many sectors enters into their next business upcycle

Opportunities at every level of emerging business

Stock Selection Process

Structure Product Idea

Nifty Accelerator

Product Name	Nifty Accelerator - 100%	
Issuer	Anand Rathi Global Finance Limited	
Underlying	Nifty 50 Index	
Capital Guarantee	Principal is not protected	
Tenor(days)	1875 Days	
Initial Fixing Level	150 pointscontingent from closing nifty then rounded to next 100	
Final Fixing Level	Average of Closing NIFTY on last Thursday of 50th, 53rd & 56th Month.	
Nifty Performance (NP)	(Final Fixing Level/Initial Fixing Level)-1	
Contingent Coupon (CC)	100%(IRR –~14.45%)	
Participation Rate1 (PR1)	100%(From 108% to 133% of Initial Fixing Level)	
Participation Rate2 (PR2)	2500%(From 130% to 133% of Initial Fixing Level)	
Decay Multiple (DM1) Knock-In Put @ 84.99%	1.10x (below -15% till -30% fall with catch-up)	
Decay Multiple (DM2) Nifty @ 70% of initial	0.10x (Beyond -30% fall decay decreases)	
Payoff	If Final Fixing Level is at or above 133% of Initial Fixing Level	Contingent Coupon
	If Final Fixing Level is Above 108% & below 133% of Initial Fixing Level	(NP-8%)* PR1+ Max (0%,(NP-32%)*PR2
	If Final Fixing Level is above 85% & at or below 108% of Initial Fixing Level	Principal Protection
	If Final Fixing Level is below 85% of Initial Fixing Level	MAX(-100%,MAX((-30%*DM1),NP* DM1)+MIN(0%,(NP+30%)*DM2))

PAYOFF (Market Linked Debentures Idea)

Nifty Values	Nifty Perf.	Product Return	Nifty IRR	Product IRR
37170	110.00%	100.00%	15.50%	14.40%
35400	**100.00%**	**100.00%**	**14.40%**	**14.40%**
26550	50.00%	100.00%	8.20%	14.40%
23541	**33.00%**	**100.00%**	**5.70%**	**14.40%**
23364	32.00%	74.00%	5.60%	11.40%
23187	31.00%	48.00%	5.40%	7.90%
23010	**30.00%**	**22.00%**	**5.20%**	**3.90%**
21240	20.00%	12.00%	3.60%	2.20%
19116	**8.00%**	**0.00%**	**1.50%**	**0.00%**
17700	**0.00%**	**0.00%**	**0.00%**	**0.00%**
17465	-1.30%	0.00%	-0.30%	0.00%
15930	-10.00%	0.00%	-2.00%	0.00%
15045	**-15.00%**	**0.00%**	**-3.10%**	**0.00%**
15043	-15.01%	-16.51%	-3.12%	-3.45%
14160	-20.00%	-22.00%	-4.30%	-4.70%
13275	-25.00%	-27.50%	-5.40%	-6.10%
12390	**-30.00%**	**-33.00%**	**-6.70%**	**-7.50%**
11505	-35.00%	-33.50%	-8.00%	-7.60%

Product IRR* **14.45%**

Tenor **1875 Days**

Target Nifty Perf. **33%**

Product Explanation

NP >= 33%	100% (Contingent Coupon)
32% < NP < 33%	Max(0%,(NP-32%)*PR2
8% < NP < 33%	(NP-8%)* PR1
-15% <= NP <= 8%	Principal Protection
-30% <= NP < -15%	1.10x Decay with Catch-up
Nifty falls beyond -30%	Decay decreases to 0.10x

*Product IRR assume to be Pre-Tax IRR
• NP: Nifty Performance
^ Initial Fixing Level is taken as 17465, adding 150 points contingent: 17615, rounded off to next 100: 17700.
**Historical Standard Deviation is calculated for 1710 days daily rolling NIFTY (Working Days Only) return from 1st Jan' 2001 - 31st Mar' 2022

Source: Anand Rathi Internal Research.
Note: Such representations are not indicative of future returns.

Technical Analysis

NIFTY: MAY 2022

In the April month's edition of BAZAAR BULLETIN; we discussed that 17800 – 18200 could be an important hurdle for the index NIFTY and on the downside; 16600 could be the zone where the index could reach in case of a corrective move. Exactly in line with that view; NIFTY took a U-Turn from the 18100 mark during April. In the recent trading session; due to the sudden rate hike by the RBI we witnessed a selloff in the market and NIFTY tested the 16600 mark. During April; the benchmark index lost over 2% from March 2022 close but the bigger worry is that the index lost over 1500 points from the top of 18115. This indicates the dominance of bears.

Technically; on the daily chart of NIFTY we are witnessing a 'Death Crossover' of 50-day m50-day average and 20the 0-day 200-day average. Thus till the time that is not negated the markets are likely to remain under pressure on every rise. On the levels the front of the level he strong breakout point for the coming weeks. A close above the same might boost some confidence in the bulls. On the other hand; 16600 would be intermediate support on the downside. A breach of the same might drag the index towards the 16400 – 16200 mark which is the 78.6% retracement of the entire rally from 15700 – 18100. On a broader time frame, we can see a possibility of inverse head and shoulder patterns. As of now, it is just a hypothetical observation but the confirmation for the same would come only above the 18100 mark and that might take a few months from here on. Too early to predict that but if this happens then we would be ready for a huge rally in the markets. So far the range seems to be 16400 – 17400.

With regards to the NIFTY BANK index; it has lost over 3000 points from April month's top of 38765. We are witnessing a major channel breakout failure in the NIFTY BANK index. In addition to this; even the NIFTY BANK index has a 'Death Crossover' on the daily scale. Thus for the coming weeks; 37000 would be a strong hurdle for the index. Only a sustainable move above the same might bring in some hope for the banking stocks. On the contrary; a breach of 35000 might drag the index towards 34500 – 34000 levels in the coming week

Technical Pick - BUY RELIANCE

POTENTIAL UPSIDE 14.15%- 18.87%

- During the month of April 2022; **RELIANCE** confirmed a major breakout above 2700 mark.

- The pattern seems to be bullish Cup and Handle which has a theoretical target of around 3200.

- The price action was supported with rising volumes and hence the breakout seems to be genuine.

- The stock further retested the breakout zone and this seems to be a buying opportunity. Thus; traders are advised to accumulate the stock **in the range of 2700 - 2600** with a stop loss of 2400 on closing basis forthe upside potential target of 3025 followed by 3150 levels in coming 3 - 6 months.

Fixed Income Services

Monetary Policy Update

The Monetary Policy Committee (MPC) unanimously kept the Repo and the Reverse Repo rate unchanged in its April, 2022 review, continuing with the accommodative stance while focussing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. These decisions are in consonancewith the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4% within a band of +/- 2%, while supporting growth.

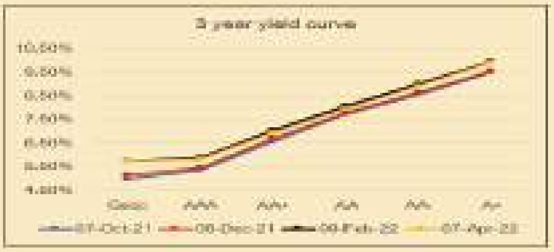
Key Takeaways:

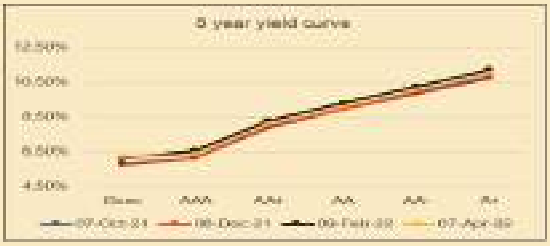
- CPI inflation for 2022-23 is projected at 5.7% with Q1:2022-23 at 6.3%; Q2 at 5.8%; Q3 at 5.4%; and Q4:2022-23 at 5.1%.

- Real GDP growth is projected at 7.2% for 2022-23 with Q1:2022-23 at 16.2%; Q2 at 6.2%; Q3 at 4.1%; and Q4 at 4.0% assuming, assuming crude oil (Indian basket) at US$ 100 per barrel during 2022-23.

While the policy had no direct action on rates as well as stance, the MPC did account for inflation worries in lieu of rising crude and supply constraints. While the reverse repo was retained at 3.35%, the introduction of the Standing Deposit Facility (SDF) at 3.75%, restored the Liquidity Adjustment Facility (LAF) window to pre-pandemic levels of 50bps. Further the significant revision in inflation projections could lead to RBI shifting gears, with a priority to inflation over growth, which was hinted at from the change in statement "continuing with the accommodative stance while focussing on withdrawal of accommodation to ensure that inflation remains within the target going forward". Most market participants were surprised by the 'more hawkish than expected' policy which resulted in the market pricing in an earlier than usual rate hike with the 10 year G-Sec inching up by 20bps to ~7.12%. Going forward, the RBI's actions will be driven by evolving global geo-political developments and the resultant impact on inflation.

The 3 year and 5 year yield curve below shows how yields have moved since the last 3 policies





Source: RBI Press Release, Fixed Income Databases

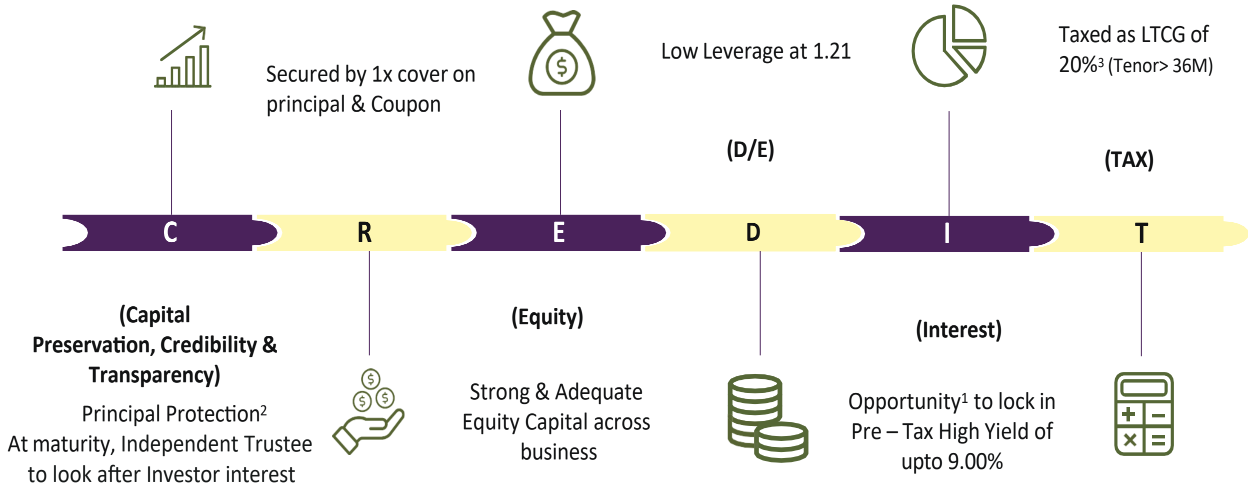
Secondary Market Bond Offers

Security	Maturity/C	IP	Rating	Yield
Tax Free Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
8.46% Rec Tax Free 2028	24-Sep-28	Annual on 1-Dec	IND AAA/Stable	4.78%
7.35% NHAI Tax Free 2031	11-Jan-31	Annual on 1-Apr	IND AAA/Stable	4.79%
PSB Perpetual Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
7.55% SBI Perp 2026	14-Dec-26	Annual on 14-Dec	AA+ by CRISIL & IND	7.62%
7.74% SBI Perp 2025	09-Sep-25	Annual on 9-Sept	AA+ by CRISIL & IND	7.28%
PSU Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
7.10 NABARD 2030	08-Feb-30	10th Feb & 10th Aug	AAA by CRISIL & India Rating	7.13%
7.50 PFC 2031	22-Jan-31	Annual on 22-Jan	AAA CRISIL, ICRA & CARE	7.15%
Corporate Bonds				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
6.75 Piramal Capital & Housing Finance Ltd. 2031	Staggered Maturity (31-Sept-31)	28-Mar & 28-Sept	AA by ICRA & CARE	10.55%
7.45% Mahindra &Mahindra Financial Services Ltd. 2031	17-Nov-31	Annual on 17-Nov	AAA by IND Ratings & CARE	7.30%
8.20 INDIA GRID TRUST 2031	06-May-31	Annual on 6-May	AAA CRISIL & IND	7.35%
10.25 Shriram Transport Finance Corporation 2024	26-Apr-24	Monthly on 28th	AA+ CRISIL & IND	8.36%
7.44 Tata Capital Fin 2031	24-Nov-31	Annual on 24-Nov	AAA by CRISIL & ICRA	7.43%
7.40 Muthoot Finance Ltd. 2024	05-Jan-24	Annual on 05-Nov	AAA by ICRA & CRISIL	6.20%
9.10 Aditya Birla Hsg Finance 2026	13-Jul-26	Annual on 13-Jul	AAA by CARE & IND	7.43%
7.79 LIC Housing Finance Ltd. 2024	18-Oct-24	Annual on 18-Oct	AAA by CRISIL & CARE	6.35%
9.30 L&T Finance Ltd. 2026	23-Mar-26	Annual on 23-Mar	AA+ by CARE & ICRA	7.48%

The above mentioned offer(s) are indicative and subject to changes in market conditions.

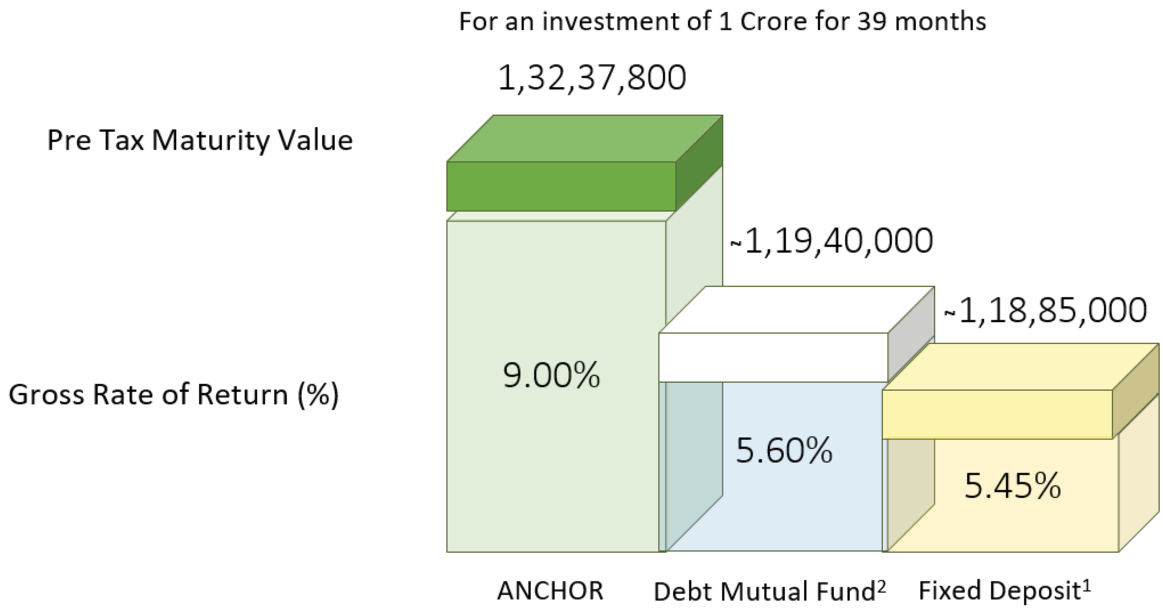
'Please note that investments in these bonds should not be construed as an advice or recommendation however we can facilitate the execution of the same. The bonds are tradeable on the Exchange platform, however we do not provide any assurance or guarantee on the liquidity of bonds. The investment decision shall at all times exclusively remain with the investor. The organisation shall not responsible or liable for any loss or shortfall incurred by the investors.'

ANCHOR (Market Linked Debentures)



1. Realized return on investment may differ depending on the investment timing, due to the difference in purchase value and face value of the security on the date of investment & Return is subject to the credit Risk of the Issuer.
2. Principal protection is at maturity; to the extent of the Face Value of the underlying investment in Market Linked Debenture (MLD) and subject to the credit risk of the Issuer
3. Taxation is pre surcharge and cess and as per our understanding, Investors are requested to solicit personal & professional tax advice on these instruments before investing.

What is ANCHOR?



Product Specification

Product Name	ANCHOR
Entity	Anand Rathi Shares & Stock Brokers
Underlying	10 Year G-Sec (6.54 GS 2032)
Listing/Secured	Unlisted/Yes, with a minimum 1x charge against receivables
Face Value/Min Application	1,00,000 per bond/ Minimum 25 bonds
Type	Conservative G-Sec Linked
Principal Protected	Principal is protected at maturity
Option Tenor	36 Months
Redemption Tenor	39 Months
Entry Level	Primary Trade Date
Exit Level	36th Month from the date of issue
Min Coupon	0 % (0 % IRR)
Max Coupon	32.38 % ~(9% IRR)
Taxation	20% + Cess after 3 years
Coupon Scenario	If Final Level > 25% of Initial Level = Max Coupon,
	If Final Level <= 25% of Initial Level = Face Value Per Debenture

The information provided is this communication is reproduction of factual details. No part of information provided herein should be construed as investment advice by ARSSBL and/or its employee. Investor/Client must make their own investment decisions based on their own specific investment objectives and financial position.
This communication does not constitute an offer or solicitation for the purchase or sale of any financial instrument/security.

Product Payoff - ANCHOR (Illustration)*

G-Sec Entry Price	G-Sec Performance	ANCHOR Return	Redemption Value	ANCHOR IRR
110	10%	32.38%	1,32,37,800	9%
105	5%	32.38%	1,32.37,800	9%
100	0%	32.38%	1,32,37,800	9%
50	-50%	32.38%	1,32,37,800	9%
25.1	-74.90%	32.38%	1,32,37,800	9%
10	-90%	0.00%	1,00,00,000	0%
0	-100%	0.00%	1,00,00,000	0%

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*Returns/IRR showcased are for illustrative purposes only. The returns are pre-tax. G-Sec Entry Price in the entry level of the 10 year G-Sec on Primary Trade Date.

MA₹CELLUS

THE NETWORKING OF INDIA ALONGSIDE TECH CHANGES IS CREATING POLARISATION

The Indian economy has been 'networked' at a rapid pace over the past decade:

- The length of India's national highways has doubled.
- The number of broadband users has increased from 20 million in FY11 to 687 million at the end of FY20 (CAGR of 48%).
- Airline passenger traffic has grown at a CAGR of 16%.
- 15 years ago, only 1 in 3 Indian families had a bank account; now nearly all Indian families have a bank account.

+

The inception of a single Goods & Services Tax in 2017 has allowed companies to consolidate their supply chains (from multiple state-level structures to unified national supply chains)

+

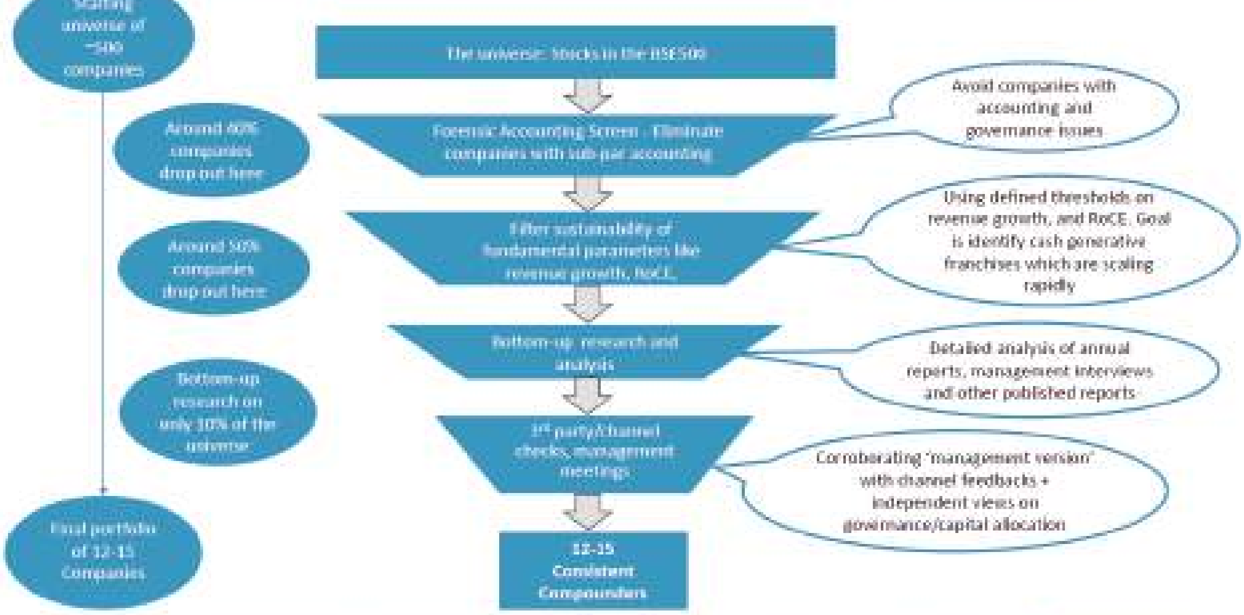
The rise of low cost SaaS (e.g. Salesforce, SAP) alongside RFID tracking and big data gleaned from 400mn internet connected mobile phones is allowing companies to improve working capital cycles, asset turns, profit margins and hence RoCE

=

Source: Marcellus Investment Managers, CMIE, Ace Equity, Bloomberg, Ministry of Aviation, TRAI, Ministry of Road Transport.

Private & Confidential

RIGOROUS INVESTMENT PROCESS TO IDENTIFY 12-15 COMPOUNDERS

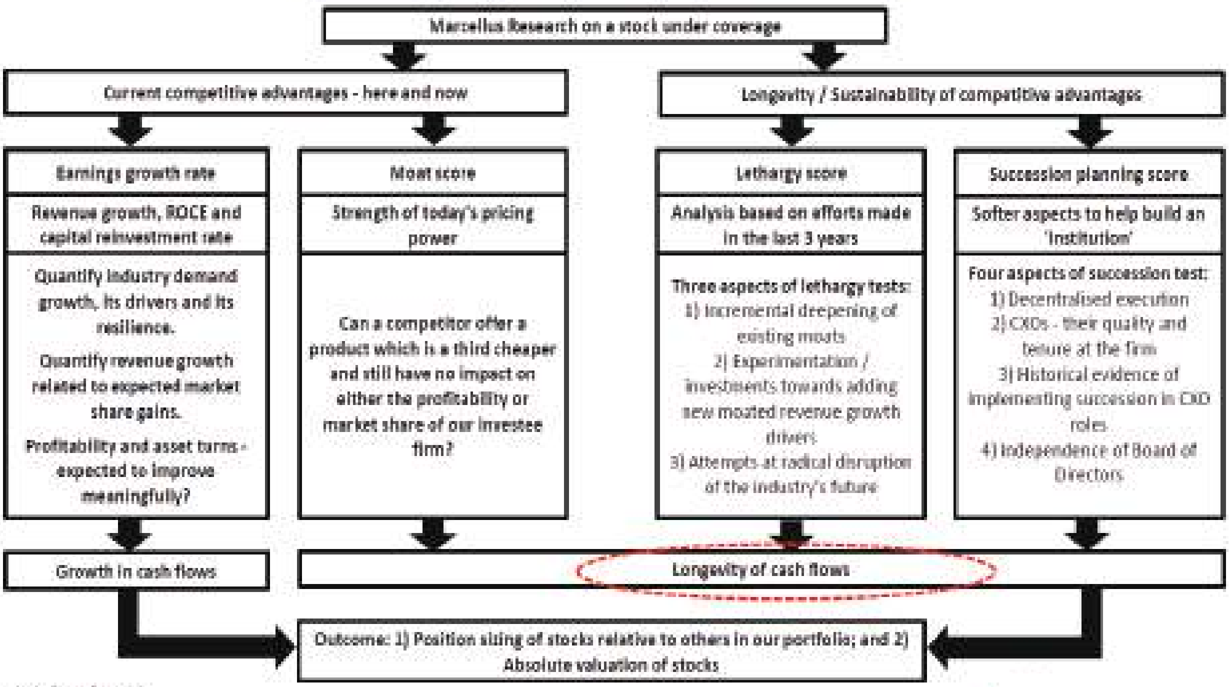


Private & Confidential

Note: The fund manager maintains discretion on stock inclusion in the portfolio. In case, a stock does not clear the above filters, the fund manager must record and present to the investment committee for approval, the reasons for such inclusion

MA₹CELLUS

STEP 3: INVEST IN FRANCHISES WITH HIGH PRICING POWER AND HIGH REINVESTMENT RATES USING MARCELLUS' LONGEVITY FRAMEWORK



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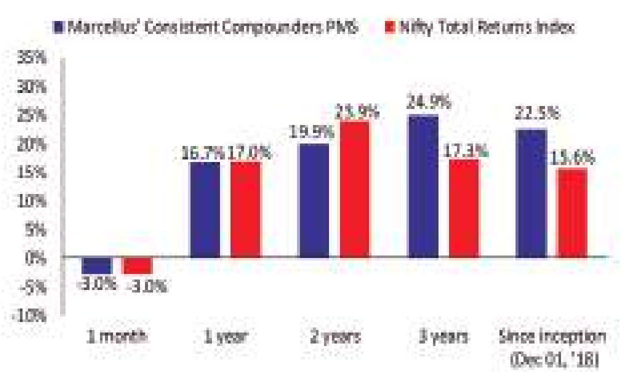
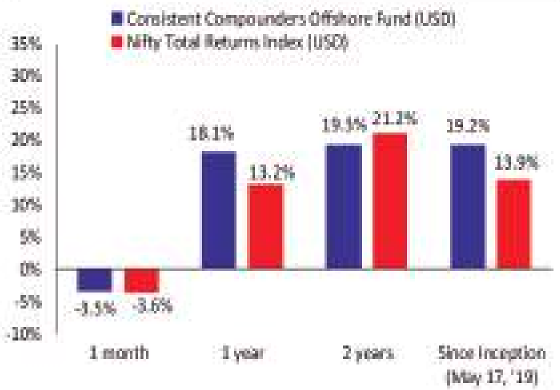
FUND PERFORMANCE (AS ON 28TH FEBRUARY'2022)

Exhibit 1a: Marcellus' Consistent Compounders PMS performance as on 28th February'22 (INR)



Source: Marcellus, Bloomberg; Performance data is net of annual performance fees charged for client accounts whose account anniversary date falls upto the last date of this performance period. Since fixed fees and expenses are charged on a quarterly basis, effect of the same has been incorporated upto 31st December, 2021; Since inception, 2 years & 3 years returns are annualised

Exhibit 1b: Consistent Compounders offshore fund advised by Marcellus as on 28th February'22 (US$)



Source: Marcellus; Performance data is net of annual performance fees charged for client accounts whose account anniversary date falls upto the last date of this performance period. Since fixed fees and expenses are charged on a quarterly basis, effect of the same has been incorporated upto 31st December, 2021; Other time period returns are absolute; NSE /FBIL for USD-INR exchange rate

SMALL CAP INVESTING: OPPORTUNITIES

Significant outperformance of stocks before inclusion in BSE 500

- On an average over the last ten years, about ~50 stocks have entered/exited BSE 500 every year indicating a high degree of churn.
- The biggest part of the relative outperformance for a stock entering BSE 500 occurs in the years preceding the inclusion.

Source: Bloomberg, Ace Equity. Relative returns (to BSE 500) are medians CAGR of stocks that have been included in the BSE 500. For prior returns, returns are measured until 1 quarter preceding the quarter of entry. The above returns calculation is for the entries from June 2002 to June 2020

Small Caps are under-researched and "under-owned"...

...resulting in significant valuation gaps vs Large caps

Source: Ace Equity, Bloomberg. Note: (1) We classify companies with market cap of >Rs150bn as Large Cap, between Rs20bn to 150bn as Mid Cap and below Rs20bn as Small Cap; (2) Market cap, analyst coverage and share price data as of July 31, 2020; (3) institutional ownership data as of June 30, 2020; (iv) EPS and Book value considered for FY20

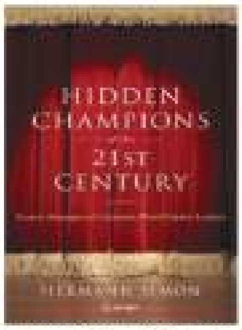
LITTLE CHAMPS: A PORTFOLIO OF NICHE COMPANIES WITH STRONG MOATS & SUSTAINABLE GROWTH

Little Champs

- Identity small-cap companies (market cap <US$500 million) with excellent corporate governance and capital allocation track record and strong sustainable competitive advantages built around brands, business processes and strategic assets.
- Characteristics of a typical portfolio company:
  - Sector leading franchise with stellar track record of capital allocation;
  - Clean accounts and corporate governance; and
  - High growth potential.

Look for Hermann Simon's celebrated 'Hidden Champions'

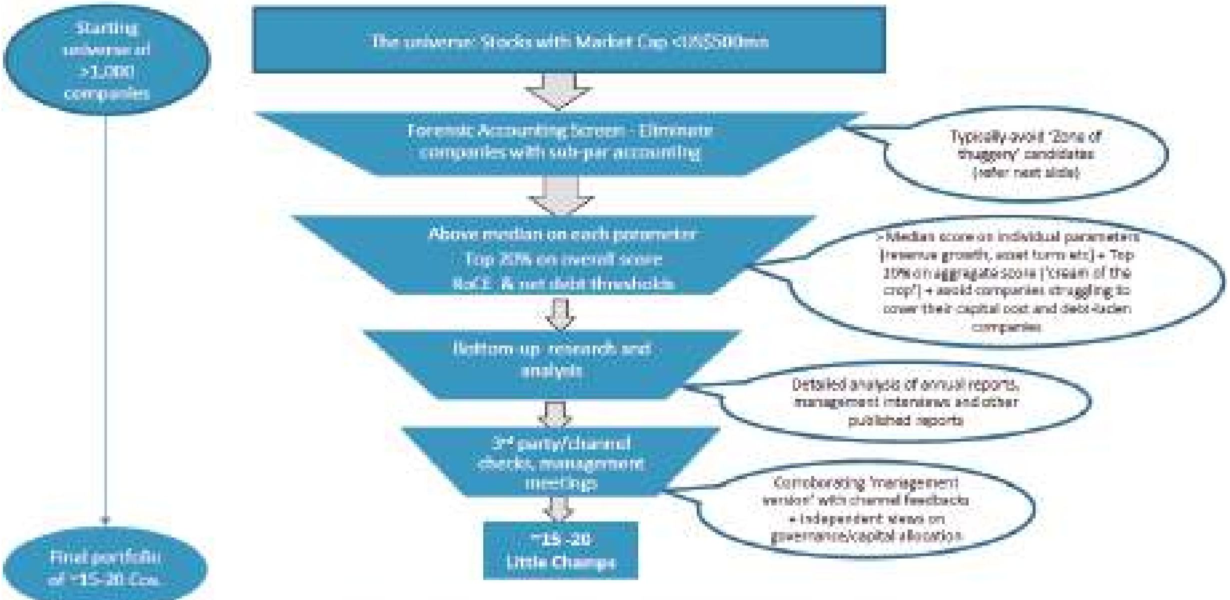
- SMEs, often family owned, producing inconspicuous products but ranked top globally for that product.
- Normally work in niche markets for which they design unique products often using proprietary process.
- Operate extremely close to their customers who depend on their products and cannot easily change their source.
- Competitive advantages of such firms are rarely because of cost leadership but more because of quality, total cost of ownership, high performance, and closeness to the customer.



Source: Hidden Champions of the 21st Century, Hermann Simon

LITTLE CHAMPS PMS*

RIGOROUS SCREENING AND DUE DILIGENCE TO IDENTIFY THE RIGHT STOCKS AND AVOID THE WRONG ONES



Note: The fund manager maintains discretion on stock inclusion in the portfolio. In case, a stock does not clear the above filters, the fund manager must record and present to the investment committee for approval, the reasons for such inclusion.

LIVE PORTFOLIO PERFORMANCE AND COMPARISON WITH BENCHMARK

Little Champs vs. Benchmark BSE Smallcap

Source: Marcellus Investment Managers. Note: (i) Portfolio inception date is August 29, 2019. (ii) Returns as of February 28, 2022. (iii) All returns are net of fixed fees and expenses charged till 31st December, 2021. Since performance fees for Little Champs Portfolio are charged on cumulative gains at the third anniversary of the respective client account, the effect of the same has not been incorporated in the performance returns. (iv) Returns shown above are net of transaction costs and includes dividend income. (v) Total returns index considered for BSE smallcap above.

Little Champs' returns and drawdowns vs Nifty/BSE smallcap

Performance (Since Inception)	Return since Inception (annualised)	Maximum Drawdown
Little Champs	34.4%	-37%
Performance of benchmarks		
BSE Smallcap	36.6%	-45%
Nifty	19.5%	-38%

Source: Ace Equity Note: Maximum drawdown based on daily returns from Aug 29, 2019 to February 28, 2022

WE PROACTIVELY SEEK TO INFLUENCE CHANGE

	Area of engagement	Desired outcome
Corporate governance	• Our analysts use forensic accounting to keep on eye on the diversion of cash by the 'promoters' of our investee companies	• If we spot diversion on a meaningful scale, we exit • If we spot the beginnings of what look like small scale diversion, we speak to the 'Promoter' and explain to her why her wealth creation can be compromised
Succession planning	• Thirty years from the reforms which opened up the Indian economy in 1991, many of India's leading 'promoters' are aged 70 or over. Hence, they are handing charge to the next generation.	• Through our discussions with suppliers, customers and competitors of a company, we keep a close eye on whether the 'promoter' is on top of his game. • If his successors either do not exist or have not been groomed adequately, we discuss the matter and its consequences with him.
Capital allocation	• Our investment strategy – of investing in dominant franchises with ROCE of around 40% - naturally leads us towards companies which generates heavy Free Cashflow. • If this Free Cashflow is not reinvested wisely, the compounding of the franchise suffers	• If we see a company either hoarding cash or moving into an unrelated, we engage with the 'promoter' to understand her thinking on capital allocation. • If we are not convinced about the fitness of what she's doing, we present our point of view (arguing in favour of a different capital allocation strategy) • If six months later we see that our engagement has made no difference, we consider exiting
Regulatory constructs	• Regulation – both in corporate law and in securities market law – is still evolving in India. This creates risks for the unwary.	• By being a part of multiple regulatory committees, by writing in the press and by being vocal on social and broadcast media about regulatory reform, we have sought to improve transparency in the fund management industry in India

THE TEAM AND CONSULTANTS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Overview of ICICI Venture

ICICI Venture, established 1988, is a pioneer in Indian Alt Assets market

ICICI Venture at a Glance

$5bn	600+	100+	81+
AUM/A since inception	Investments since 1988	Investments since 2002	Exits since 2002

Our Existing 4 Verticals

	Private Equity	Real Estate	Infrastructure	Special Situations
AUM/A[1]	$1.6bn[2]	$700mn[2]	$453mn[3]	$1.25bn[4]
Strategies	Growth Equity	Equity	Energy	Debt, Mezzanine
	Joint Control	Debt	Utilities	Distress Buyouts
	Buyouts	Mezzanine	Buyouts	Equity Recaps

Sector Footprint

- Banking, Financial Services, Insurance
- Consumer, Retail/eTail Brands
- Healthcare, Pharmaceuticals
- Media & Entertainment
- Manufacturing, Industrials, Logistics
- RE & Infra

Overview of ICICI Group

ICICI Venture leverages ICICI Group linkages

Trusted Brand Name

- Strong brand identity in the Indian ecosystem
- Partner of choice for global and domestic investors

Access to Proprietary Deal flow

- Longstanding relationships across the ecosystem of Indian businesses: owners/promoters, bankers, regulators, policy makers and consultants
- Being one of India's largest banks, well connected across the spectrum of small, medium and large corporates

Deal lifecycle

- Sectoral expertise and information
- Institutional knowledge and experience
- Privileged market insights from networks with key stakeholders
- Relationships across the value chain

Access to a large pool of talent and infrastructure

- Support from the banking, insurance, capital markets intermediation and asset management teams
- Access to financing options / M&A advisory

Our PE exit track record (2009 onwards)

We have a proven, superior exit track record through diverse strategies

Realisation by exit strategy[1]

Examples of different exit strategies

RFCL	GO COLORS!	KIMS	STAR	WABAG
Exit Strategy : Sum of parts sale	*Exit Strategy: IPO*	*Exit Strategy : Sale to PE*	*Exit Strategy: Sale to Strategic,PE*	*Exit Strategy : IPO*
Investment : Dec-2009	Investment : Jan-2018	Investment : Jun-2018	Investment : Mar-2010 (IAF3) / Aug -2016 (IAF4)	Investment : Apr-2005
Exit : Feb-2011	Exit: Nov/Dec 21 (Partial)	Exit : Jun-2019	Exit : Mar-2020	Exit : Jul-2011
Gross INR MOIC: 8.2x[4]	Gross INR MOIC : 6x	Gross INR MOIC : 3.8x	Gross INR MOIC : 6.2x/3x	Gross INR MOIC : 25.8x
Gross INR IRR: 61.9%[3]	Gross INR IRR: 59%	Gross INR IRR: 28.8%	Gross INR IRR: 25% / 55%	Gross INR IRR: 138%

IAF4 Portfolio Overview

Backing leaders and emerging leaders in fast growing sectors in India

IAF4 Portfolio	Entry Year	Investment[1] (INR Mn)	Sector	Strategy	Original Stake	Exit Strategy
STAR	2016	1,000	BFSI	Growth PE	4.32%	Exited to strategic, PE
GO COLORS!	2018	1,000	Consumer	Growth PE	13.76%[2]	Partially exited (IPO, markets)
India1	2019	1,000	BFSI	Joint Control	21.48%[4]	IPO in progress
ontheo	2016	1,650	Mfg	Growth PE	20.22%[3]	Sale to PE / IPO
KIMS	2021	1,600	Healthcare	Growth PE	2.42%	Listed (Capital markets)
[illegible]	2017	1,250	Consumer	Joint Control	46.5%	Sale to strategic/PE
DCB BANK	2018	1,298	BFSI	Growth PIPE	4.36%	Listed (Capital markets)
[illegible]	2021	1,600	Mfg	Growth PE	15.0%-24.2%	IPO
[illegible]	2021	2,400[2]	BFSI	Growth PE	18.55%[4]	Sale to PE/IPO/strategic

IAF4 dealing

Proposed key fund terms (India Advantage Fund S5 II)

Key fund terms*

Indian Fund (Feeder Fund)	Organized as a close-ended, contributory, determinate trust, under registration with SEBI as a Category II AIF (Fund of Funds); ICICI Venture is Settlor, AIF Sponsor, Manager of the Feeder Fund. Will invest solely in India Advantage Fund S5 I which is organized as a close-ended, contributory, determinate trust, registered with SEBI as a Category II AIF (Master Fund). ICICI Venture is Settlor, AIF Sponsor, Manager of the Master Fund
Minimum Capital Commitment	INR 10 Million (or as per extant SEBI AIF Regulations)
Final Closing	18 months from First Closing (excluding extensions, if any)
Investment Period	5 years from First Closing (excluding extensions, if any) for Master Fund. Feeder Fund to be co-terminus with Master Fund
Fund Term	8 years from Final Closing (excluding extensions, if any) for Master Fund. Feeder Fund to be co-terminus with Master Fund
Management Fee	2% p.a. (net of GST) at Master Fund level plus INR 1 Mn p.a. (net of GST) at Feeder Fund level. Master Fund Management Fee to be charged on the basis of Capital Commitment made by Feeder Fund during Investment Period and net invested capital thereafter
Offering Expenses (Class FC1 Unit-holders)	Upto 2% (net of GST) of the capital commitment made by Class FC1 Unit holders. Will form part of overall Capital Commitment
Feeder Fund Expenses	Feeder Fund Set up Expenses and Operating Expenses shall be charged at actuals, subject to a cap of 0.25%^ per annum (net of GST) as percentage of aggregate capital commitments received by the Feeder Fund at it's Final Closing, on an annualized average basis over Feeder Fund's term, plus pro-rata share of Master Fund Expenses
Master Fund Expenses	Master Fund Set up Expenses and Operating Expenses shall be charged at actuals, subject to a cap of 0.75%^ per annum (net of GST) as percentage of aggregate capital commitments received by the Master Fund at it's Final Closing, as calculated on an annualized average basis over the Master Fund's Term or Extended Term as maybe applicable, excluding one-time acquisition and divestment expenses incurred by the Master Fund
Hurdle Rate of Return	Applicable at Master Fund level (12% IRR on INR basis, pre-tax with full catch up)
Additional Return	Applicable at Master Fund level only (20% on whole fund basis)
Application Money (Class FC1 Unit-holders)	10% of Capital Commitment. Will form part of overall Capital Commitment and shall be utilized towards first drawdown

FINANCIAL FLASH

May 2022

ANAND RATHI

INVESTMENT SERVICES

The Investments recommended in News letter / research reports, may not be suitable for all investors. Investors must make their own investment decisions based on their own specific investment objectives and financial position and using such independent professional advisors as they believe necessary.

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